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C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000718

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SUBJECT: DEPUTY SECRETARY'S MEETING WITH FM KALFIN: IRAQI  
DEBT, MISSILE DEFENSE, NURSES IN LIBYA

Classified By: Ambassador John Beyrle, reasons 1.4(b) and (d).

11. (C) SUMMARY. Foreign Minister Kalfin thanked the Deputy Secretary for President Bush's public and private assurances of support for the release of the five Bulgarian nurses imprisoned in Libya. He also asked for the opportunity to consult with the USG in advance of any travel by the Secretary to Libya. In response to the Deputy Secretary's request that Bulgaria follow the Paris Club example on Iraqi debt, Kalfin explained the domestic political pressure facing the government on this issue. Bulgaria is considering two options: following the Paris Club example or selling the debt at a further discount on the commercial market. Kalfin said Bulgaria would like to see missile defense "as a NATO project covering all allies." END SUMMARY.

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Nurses in Libya  
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12. (C) Kalfin said he appreciated the President's call earlier in the day for release of the five Bulgarian nurses imprisoned since 1999 and sentenced to death in Libya for allegedly intentionally spreading the HIV virus. Noting that EU Foreign Affairs Commissioner Ferrero-Waldner and German Foreign Minister Steinmeier were in Tripoli to discuss the issue and meet with the families of the AIDS victims, Kalfin expressed very cautious optimism regarding the near-term prospects for a solution. He welcomed the U.S. contribution to the Benghazi International Fund, and asked if additional money might be available from the U.S. Global AIDS Fund. He contrasted the money for treatment of HIV/AIDS with the families' demands for "blood money," saying that he opposed additional payments from outside Libya to the families. Qadhafi, Kalfin said, must see the current package of assistance as the EU and the international community's final offer.

13. (C) Kalfin noted without apparent rancor that British PM Blair's meeting with Qadhafi would make it difficult for the EU to continue denying high-level meetings to the Libyan leader. Europe and the U.S. needed to keep pressure on Libya to resolve the nurses' case. Kalfin said Qadhafi was particularly interested in a possible visit by Secretary Rice. He said he would very much appreciate the opportunity to consult with the U.S. prior to any such visit, and would be willing to come to Washington to do so. The Deputy Secretary briefed Kalfin on his own recent meetings in

Tripoli, where he raised the fate of the nurses, and said we would stay in close touch regarding senior-level engagement with Libya.

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Iraqi Debt  
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¶4. (C) The Deputy Secretary urged Bulgaria to follow the Paris Club by forgiving at least 80 percent of Iraq's debt. Kalfin said the GOB was in the final stage of technical discussions with Iraq to fix the exact value of the debt, estimated by Bulgaria at three billion dollars. Once agreement was reached, Bulgaria had two options, according to Kalfin. The first was to follow the Paris Club, allowing Bulgaria to recover 20 percent of its debt over 23 years. The second option being considered by Bulgaria is to sell the debt on the commercial market. This would net Bulgaria approximately 11-12 percent of the debt right away. Kalfin said the GOB was currently performing due diligence with regard to these offers. At least one of the companies offering to buy the Iraqi debt from Bulgaria is a U.S. firm.

¶5. (C) Kalfin said the government would have a difficult time selling debt forgiveness to the public, partly because of the perception that Bulgaria had already done more than its fair share to help Iraq, and partly because Bulgaria had itself gotten no relief for the debt its rulers accumulated during the Communist era. Kalfin said the decision to forgive the debt would be much easier if the government could point to major contracts or opportunities for Bulgarian businesses in Iraq. In the past, Bulgaria provided a wide range of goods and services to Iraq; it could win its share of fair and open tenders if given the chance, but the tender process in Baghdad was so opaque that it was difficult to compete. Kalfin said that he had discussed this issue with Deputy Secretary of Treasury Kimmit.

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Missile Defense  
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¶6. (C) Echoing President Parvanov's public remarks earlier in the day and his own previous statements, Kalfin said Bulgaria would like to see missile defense "as a NATO project covering all allies." While acknowledging that the system under consideration in Poland and Hungary was aimed at defeating long-range missiles, Kalfin argued that Bulgaria and other allies on NATO's southern flank needed to be protected from shorter-range missiles. EUR A/S Fried said the U.S. sees NATO as a "conceptual umbrella" for missile defense and would welcome greater engagement by Bulgaria within NATO on this issue, either alone or with Romania and Turkey. "We are trying to do as much as we can in NATO and it would be great to have Bulgaria alongside us," Fried said.

¶7. (C) The Deputy Secretary pressed Kalfin to clarify the Bulgarian position: was the GOB concerned about the U.S. going forward on its own outside of NATO, or was it concerned that the current system would not cover Bulgaria? Kalfin responded that Russia was using missile defense and other issues such as CFE to justify a more aggressive stance on a variety of issues. It was also threatening to target Bulgaria and Romania because they will host "U.S. bases" on their territory. Bulgaria thus feels somewhat exposed, if not militarily, then at least politically. The issue, Kalfin insisted, is one of equal security for all allies.

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Iraq and Afghanistan  
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¶8. (C) Kalfin and the Deputy Secretary also discussed briefly the situations in Iraq and Afghanistan. On Iraq, Kalfin said that little progress had been made toward repatriating members of the Mujahideen al-Khalq (MEK) currently under guard by Bulgarian forces at Camp Ashraf. He said the Iraqis sometimes blame the U.S. for lack of progress on this and

other issues, saying privately "we know better but the U.S. won't let us." Kalfin noted that PM Malaki said the right thing in Sharm al-Sheikh about controlling sectarian militias, but implied that the Iraqi PM was not following up his words with actions. The Deputy Secretary thanked Kalfin for Bulgaria's decision to more than quadruple its forces in NATO's ISAF mission in Afghanistan.

19. (U) Participants:

U.S.  
The Deputy Secretary  
EUR Assistant Secretary Fried  
DCM Karagiannis  
D Special Assistant Wittenstein  
D Special Assistant Jost  
Pol-Econ Counselor Freden

Bulgaria  
FM Kalfin  
Ambassador to the U.S. Elena Poptodorova  
Deputy Foreign Minister Todor Churov  
Presidential Foreign Policy Secretary Pavlina Popova  
Prime Minister's Foreign Policy Advisor Valentin Radomirski  
Americas Director Valeri Yotov  
U.S. and Canada Division Head Ivan Danchev

10. (U) This message has been cleared by the Deputy Secretary's office.

Beyrle